

**REPORT OF THE AUDIT OF THE  
FORMER CARROLL COUNTY  
SHERIFF'S SETTLEMENT - 2006 TAXES**

**December 31, 2006**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**FORMER CARROLL COUNTY**  
**SHERIFF'S SETTLEMENT - 2006 TAXES**

**December 31, 2006**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2006 Taxes as of December 31, 2006 for the former Carroll County Sheriff. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The former Sheriff collected \$5,546,053 for the districts for 2006 taxes, retaining commissions of \$194,527 to operate the Sheriff's office. The former Sheriff distributed \$5,351,842 to the districts for 2006 taxes. Taxes of \$94 are due the districts from the Sheriff and refunds of \$410 are due to the Sheriff from the taxing districts.

**Report Comment:**

- The Former Sheriff's Office Lacked Adequate Segregation Of Duties

**Deposits:**

The former Sheriff's deposits as of October 31, 2006 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured - \$364,106



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Ernie Fletcher, Governor

John R. Farris, Secretary

Finance and Administration Cabinet

Honorable Harold Tomlinson, Carroll County Judge/Executive

Honorable Charles Maiden Jr., Former Carroll County Sheriff

Honorable Ben Smith, Carroll County Sheriff

Members of the Carroll County Fiscal Court

Independent Auditor's Report

We have audited the former Carroll County Sheriff's Settlement - 2006 Taxes as of December 31, 2006. This tax settlement is the responsibility of the former Carroll County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the former Carroll County Sheriff's taxes charged, credited, and paid as of December 31, 2006, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated April 5, 2007 on our consideration of the former Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John R. Farris, Secretary  
Finance and Administration Cabinet  
Honorable Harold Tomlinson, Carroll County Judge/Executive  
Honorable Charles Maiden Jr., Former Carroll County Sheriff  
Honorable Ben Smith, Carroll County Sheriff  
Members of the Carroll County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Former Sheriff's Office Lacked Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

April 5, 2007



CARROLL COUNTY  
CHARLES MAIDEN JR., FORMER SHERIFF  
SHERIFF'S SETTLEMENT - 2006 TAXES

December 31, 2006

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 241,968	\$ 751,309	\$ 2,032,527	\$ 636,048
Tangible Personal Property	225,489	314,551	680,889	871,875
Intangible Personal Property		111,500		
Fire Protection	458			
Franchise Taxes	38,352	50,487	131,389	
Additional Billings		108	243	67
Adjusted to Sheriff's Receipt	<u>3</u>	<u>1</u>	<u>(1)</u>	<u>1</u>
Gross Chargeable to Sheriff	<u>506,270</u>	<u>1,227,956</u>	<u>2,845,047</u>	<u>1,507,991</u>
<u>Credits</u>				
Exonerations	845	1,787	5,322	3,474
Discounts	7,902	19,668	43,812	26,489
Unpaid Bills	31,014	81,735	216,669	76,387
Uncollected Franchise Taxes	<u>4,626</u>	<u>6,733</u>	<u>14,748</u>	
Total Credits	<u>44,387</u>	<u>109,923</u>	<u>280,551</u>	<u>106,350</u>
Taxes Collected	461,883	1,118,033	2,564,496	1,401,641
Less: Commissions *	<u>19,917</u>	<u>37,818</u>	<u>76,935</u>	<u>59,857</u>
Taxes Due	441,966	1,080,215	2,487,561	1,341,784
Taxes Paid	<u>442,059</u>	<u>1,080,206</u>	<u>2,487,688</u>	<u>1,341,889</u>
Due Districts or (Refunds Due Sheriff) as of Completion of Fieldwork	<u>\$ (93)</u>	<u>\$ 9</u>	<u>\$ (127)</u>	<u>\$ (105)</u>

\*and\*\* See Next Page.

The accompanying notes are an integral part of this financial statement.

CARROLL COUNTY  
CHARLES MAIDEN JR., FORMER SHERIFF  
SHERIFF'S SETTLEMENT - 2006 TAXES  
December 31, 2006  
(Continued)

\* Commissions:

10% on	\$ 10,000
4.25% on	\$ 2,673,148
3% on	\$ 2,564,496
1% on	\$ 298,409

\*\* Special Taxing Districts:

Library District	\$ (48)
Health District	(37)
Sanders Fire District	88
Ghent Fire District	<u>6</u>

Due Districts or (Refunds Due Sheriff)	<u><u>\$ 9</u></u>
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The accompanying notes are an integral part of this financial statement.

CARROLL COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The former Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

CARROLL COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2006  
(Continued)

Note 2. Deposits

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The former Sheriff did not have a deposit policy for custodial credit risk but rather followed the requirements of KRS 41.240(4). As of December 31, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of October 31, 2006, public funds were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured - \$364,106

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2006. Property taxes were billed to finance governmental services for the year ended June 30, 2006. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 21, 2006 through December 31, 2006.

Note 4. Interest Income

The former Carroll County Sheriff earned \$2,575 as interest income on 2006 taxes. The former Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Harold Tomlinson, Carroll County Judge/Executive  
Honorable Charles Maiden Jr., Former Carroll County Sheriff  
Honorable Ben Smith, Carroll County Sheriff  
Members of the Carroll County Fiscal Court

Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the former Carroll County Sheriff's Settlement - 2006 Taxes as of December 31, 2006, and have issued our report thereon dated April 5, 2007. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Carroll County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Carroll County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Carroll County Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting which is a basis of accounting other than generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

We consider the deficiency described in the accompanying comment and recommendation to be a significant deficiency in internal control over financial reporting.

- The Former Sheriff's Office Lacked Adequate Segregation Of Duties

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the former Carroll County Sheriff's Settlement -2006 Taxes as of December 31, 2006 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Carroll County Fiscal Court, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

April 5, 2007



COMMENT AND RECOMMENDATION



CARROLL COUNTY  
CHARLES MAIDEN JR., FORMER SHERIFF  
COMMENT AND RECOMMENDATION

December 31, 2006

INTERNAL CONTROL – SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS:

The Former Sheriff's Office Lacked Adequate Segregation Of Duties

During our review of internal controls, we found the former Sheriff's office lacked an adequate segregation of duties. Due to the entity's diversity of official operations, small size and budget restrictions, the official has limited options for establishing an adequate segregation of duties. However, the lack of adequate segregation of duties is hereby noted as a control design deficiency pursuant to professional auditing standards. We believe this significant deficiency as described above is a material weakness. The following compensating controls could have been implemented to offset this internal control weakness:

- The former Sheriff should have periodically agreed daily tax collections totals to the receipts ledger and deposit slip.
- The former Sheriff should have periodically compared the bank reconciliation to the balance in the checkbook.
- The former Sheriff should have agreed monthly tax reports to the receipts ledger and disbursements ledger.

These reviews should have been indicated with the former Sheriff's initials.

*Former Sheriff's Response: None*

PRIOR YEAR:

The Sheriff's Office Lacks Adequate Segregation Of Duties - Repeated

